

California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions Related to Regulatory Development and Initial Reports

Posted July 9, 2025¹

This Frequently Asked Questions document contains two sections, the first related to the California Air Resources Board's (CARB) regulatory development for the Corporate Greenhouse Gas Reporting and the Climate-Related Financial Risk Disclosure Programs, and the second related to information regarding submittal of initial reports. This guidance is intended to assist companies with initial planning, including for submitting climate-related financial risk reports by January 1, 2026. Future regulations may establish additional or alternative requirements consistent with Health and Safety Code §§ 38532 and 38533.

CARB has developed this document to help entities comply with Health & Safety Code sections 38532 and 38533. This guidance document does not have the force of law. It is not intended to and cannot establish new mandatory requirements beyond those that are already in the statutes, and it does not supplant, replace, or amend any of these legal requirements. CARB makes every effort to keep its documents up to date. However, CARB does not guarantee the accuracy of this document and is not responsible for any errors or omissions in content. CARB reserves the right to make changes without notice. Conformance with the law is the responsibility of each regulated entity, as applicable.

Regulatory Development: Frequently Asked Questions

Process, Goals and Applicability

1. What is the process the California Air Resources Board (CARB) is following to move from the climate disclosure legislation to final regulation?

CARB is in the informal, information-gathering stage for implementing Health & Safety Code section (§) 38532, the Climate Corporate Data Accountability Act, and § 38533, the Climate-Related Financial Risk Disclosure Program. The process so far has included:

¹ Note: formatting updated on July 11, 2025 with no substantive changes.

- **Preparing for Rulemaking.** In December 2024, CARB released an Information Solicitation, inviting public input on a number of questions including regarding definitions and reporting frameworks. More information available [here](#).
- **Enforcement Notice.** To support early implementation and reduce uncertainty associated with Health and Safety Code § 38532, CARB issued an [Enforcement Notice](#) in December 2024.
- **Public Engagement.** CARB held a [virtual public workshop](#) on May 29, 2025, presenting:
 - Background on the legislation.
 - A summary of early stakeholder feedback.
 - Rulemaking process.
 - Initial staff concepts around key definitions.
 - Staff request for public feedback on program details.

Next steps in the regulatory development process will include additional opportunities for public input over the summer. CARB is committed to developing a regulation by the end of the year. Interested stakeholders are encouraged to sign up for future emails on this topic [here](#).

2. What does CARB plan to do with the data and disclosures reported by covered entities?

CARB recognizes, as foundational principles for this effort, the need to develop a program that works for California, provides a potential model for others, and emphasizes effectiveness and efficient implementation. Programmatic goals include helping to ensure that accurate, comparable, and decision-useful climate information is made available to investors, consumers, and other interested parties.

General Applicability

3. Do Health and Safety Code § 38532 and § 38533 each apply to the same companies?

Not necessarily.

- Health and Safety Code § 38532 applies to companies with over \$1 billion in total annual revenue doing business in California.
- Health and Safety Code § 38533 applies to companies with over \$500 million in annual revenue, also doing business in California.

Some companies may be subject to both laws, while others may only meet the threshold for one. As part of our first [public workshop](#) on May 29, 2025, CARB staff proposed potential definitions for “revenue”, “doing business in California”, and for “parent” and “subsidiary” companies. CARB is seeking feedback on those potential definitions

(climatedisclosure@arb.ca.gov). Feedback received via this email will be posted to the public docket.

4. If a company exceeds the revenue thresholds described in the bill(s) but the majority of business is outside of California, is that company subject to the requirements of Health and Safety Code § 38532 and / or § 38533?

Potentially, but it will depend on the company's circumstances and how the applicability provisions are ultimately drafted. Revenue thresholds for covered entities of Health and Safety Code § 38532 and 38533 are outlined in the respective bills. To determine total revenue for a company, the initial staff concept is that "total annual revenue" would be defined as gross receipts as set forth in California Revenue and Taxation Code § 25120(f)(2). Staff is seeking public feedback on this proposed definition (climatedisclosure@arb.ca.gov). Feedback received via this email will be posted to the public docket.

If a company exceeds the revenue threshold pursuant to Health and Safety Code § 38532 and/or § 38533 and is determined to be doing business in California (see below), then under staff's initial concept, that company must report.

If CARB should consider exemptions for certain circumstances, CARB is seeking input on what rationale should be used to consider exemptions. (For more information: [workshop materials](#).)

5. For determining the applicability of Health and Safety Code § 38532 and § 38533, what is the definition of "doing business in California"?

As part of its regulation development and through the public process, CARB will determine the definition of "doing business in California" as it relates to the California Corporate Greenhouse Gas (GHG) Reporting Program. As described in our public workshop (May 29, 2025), CARB's initial staff concept is based on the Franchise Tax Board definition (below). Staff is seeking feedback on this concept.

CARB's initial staff concept is as follows:

An entity is considered to be "doing business in California" for purposes of the reporting regulation if:

(1) the entity is actively engaging in any transaction for the purpose of financial or pecuniary gain or profit (Cal. Revenue & Taxation Code § 23101(a)); and

(2) any of the following conditions is met during any part of a reporting year (Cal. Revenue & Taxation Code § 23101(b)):

(1) The entity is organized or commercially domiciled in this state.

(2) Sales, as defined in Revenue and Taxation Code subdivision (e) or (f) of Section 25120 as applicable for the reporting year, of the entity in this state exceed the inflation adjusted thresholds of seventy hundred thirty-five thousand and nineteen (\$735,019) (2024). For purposes of this paragraph, sales of the entity include sales by

an agent or independent contractor of the entity. For purposes of this paragraph, sales in this state shall be determined using the rules for assigning sales under Sections 25135 and 25136, and the regulations thereunder, as modified by regulations under Section 25137.

- (3) The real property and tangible personal property of the entity in this state exceed the lesser of the inflation adjusted thresholds of seventy-three thousand, five hundred two (\$73,502) (2024) or 25 percent of the entity's real property and tangible personal property. The value of real and tangible personal property and the determination of whether property is in this state shall be determined using the rules contained in Sections 25129 to 25131, inclusive, and the regulations thereunder, as modified by regulation under Section 25137.*
- (4) The amount paid in this state by the entity for compensation, as defined in subdivision (c) of Section 25120, exceeds the inflation adjusted thresholds of seventy-three thousand, five hundred two (\$73,502) (2024) or 25 percent of the total compensation paid by the entity. Compensation in this state shall be determined using the rules for assigning payroll contained in Section 25133 and the regulations thereunder, as modified by regulations under Section 25137.*

As noted above, CARB is seeking input from stakeholders regarding these definitions, which will be finalized as part of the regulation, as well as input on whether CARB should consider exemptions for certain circumstances. Please send feedback to climatedisclosure@arb.ca.gov. Feedback received via this email will be posted to the public docket.

Initial Reports: Frequently Asked Questions

Health and Safety Code § 38532

1. When do initial reports need to be submitted under Health and Safety Code § 38532?

Per Health and Safety Code § 38532, Climate Corporate Data Accountability Act, reporting entities must report Scope 1 and Scope 2 GHG emissions in 2026, on a date to be set by CARB through the regulatory process, covering the prior fiscal year. Scope 3 emissions reporting begins in 2027, covering the prior fiscal year.

To support initial implementation and reduce uncertainty, CARB issued an [Enforcement Notice](#) in December 2024. In this Enforcement Notice, CARB recognizes that reporting entities may need some lead time to implement new data collection processes to allow for fully complete Scope 1 and Scope 2 emissions reporting, to the extent they do not currently possess or collect the relevant information. Accordingly, CARB will exercise its enforcement discretion such that, for the first report due in 2026, on a date to be set by CARB through

the regulatory process, reporting entities may submit Scope 1 and Scope 2 emissions from the reporting entity's prior fiscal year that can be determined from information the reporting entity already possesses or is already collecting at the time the Notice was issued.

CARB is in the early stages of regulatory development and will work through the public process to develop the proposed details of the program.

2. For Health and Safety Code § 38532, when must the first verification be completed?

Health and Safety Code § 38532 requires that Scope 1 and 2 emissions be publicly disclosed starting in 2026, by a date determined by CARB, for the reporting entity's prior fiscal year. The statute states that companies covered under § 38532 will be required to obtain an assurance (or verification) engagement performed by an independent third-party assurance provider for their Scope 1 and 2 emissions at a limited-assurance level beginning in 2026, and at a reasonable-assurance level beginning in 2030.

The timeline for emissions disclosure and verification will be determined through additional public consultation and through the rulemaking process.

3. Some companies already report their greenhouse gas emissions and/or climate risk disclosures in accordance with programs in other jurisdictions. How much additional information will be required for such companies to report in California's implementation of Health & Safety Code § 38532?

CARB is committed to developing a program that works for California and that provides a potential model for others, and that emphasizes effectiveness and efficient implementation. Our goal is to reduce confusion for reporting entities and simplify compliance with the law, including aligning and streamlining reporting requirements where possible. To achieve this goal, CARB is relying on a transparent public process and actively seeking stakeholder input to inform the design of the program (climatedisclosure@arb.ca.gov). Feedback received via this email will be posted to the public docket.

As part of this effort, we welcome feedback on how to streamline reporting in ways that are both practical and consistent with our statutory direction. Ultimately, any regulation must meet the standards of the Administrative Procedure Act including clarity, necessity, and other statutory criteria. (See 1 C.C.R. §§ 10 et seq.)

Health and Safety Code § 38533

4. When do the first climate-related financial risk reports need to be submitted, per Health and Safety Code § 38533?

Per Health and Safety Code § 38533, the Climate-related Financial Risk Reporting Program, covered entities must prepare and publish their first climate-related financial risk report by January 1, 2026, and biennially thereafter.

On December 1, 2025, CARB will post a public docket for covered entities to post the location of their public link to their first climate-related financial risk report. CARB will keep this public docket open until July 1, 2026. This public docket will help support transparency by providing one location for the public to be able to review all climate risk reports.

This guidance is intended to assist companies with initial planning for January 1, 2026. Future regulations may establish additional or alternative requirements consistent with Health and Safety Code § 38533.

5. Health and Safety Code § 38533 references use of reporting frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD). How should an organization determine what needs to be included in our climate-related financial risk report?

Health and Safety Code § 38533(a)(2) defines “Climate-related financial risk” as material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health. Health and Safety Code § 38533(b)(1)(A) further directs covered entities to prepare a climate-related financial risk report.

Health and Safety Code § 38533 allows but does not mandate the disclosure of information that falls outside of this definition.

The statute specifies some flexibility in choosing a reporting framework, and entities then apply the principles embedded in that chosen framework.

For example, TCFD 2017 states “organizations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their financial filings.” Further, the TCFD emphasizes that disclosures should be specific, complete, and provide sufficient information to enable users to understand the impact of climate-related issues on an organization's business.

As part of its public outreach, CARB has heard from stakeholders that climate risk-related data is often collected on a fiscal year basis and that it takes time to process climate information into a report. As a result, it is reasonable to expect that initial climate-related

financial risk reports submitted by January 1, 2026, may cover fiscal years (FY) 2023/2024 or FY 2024/2025 depending on the organization.

This guidance is intended to assist companies with initial planning for their January 1, 2026 report submittals. Future regulations may establish additional or alternative requirements for future report submittals, consistent with Health and Safety Code § 38533.

6. Health and Safety Code § 38533 makes reference to companies making 'good faith efforts' to comply. What does that mean?

As outlined in Health and Safety Code § 38533, potential penalties against entities for violations are tied to several factors, including whether the violator took good faith measures to comply and when those measures were taken. This "good faith" consideration is part of CARB's enforcement discretion in considering penalties for reporting violations.

To provide a phase-in period for reporting, climate-related financial risk disclosures made pursuant to the upcoming statutory deadline (January 1, 2026) may be based on the best available information, including information from fiscal years 2023/2024 or 2024/2025 (see above). CARB also recognizes that data quality and data sources may change over the course of the year, if additional data collection methods were put in place later.